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# Revenue (1948) Department.

Ms. SERIES.

G.O. No. 2366

Dated 1 6 48.

[Despatch Abstract.]

Tax - The Madras Sales of Motor Spirit Taxation Act - 1948 - Issue Increase in rates of tax-Central Excise Duty - Reduction-Suggestion Request to Government of India - Papers Recorded.

Revenue Department

Letter No. 559-K/47-2 dated 4-3-47.

To.

The Secretary to the Government of India
Finance Department, New Delhi.

Sir,

Sub:- Tax - The Madras Sales of Motor Spirit Taxation Act, 1939 - Increase in rates of tax-Central Excise Duty-Reduction- Suggestion.

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This Government have introduced prohibition in 8 districts of the province during the current year and propose to extend it to eight more districts during the next official year. This involves the Government in a loss of revenue of about 10 ~~columns~~ of Rupees out of postal revenue of about 45 columns. To meet the loss of revenue consequent on this, the Government, have among other measuries, decided to increase the rate of tax on petrol from As. 1½ to As. 4/- per gallon. The Legislative Assembly as its sitting on the 30th January 1947 ~~past~~ passed a Resolution moved by the Hon'ble the Minister for Revenue to increase the tax on petrol from As. 1½ p. to As. 4 per gallon with effect from 1.2.47. In the course of the discussions in the Assembly it was represented that taxation on motor trade in Madras was the heaviest in India. In the course of his reply in the Legislative Assembly The Hon'ble the Revenue Minister under-took to address the Government of India for the reduction of the Central Excise Duty on petrol which is now levied at As. 12/- per gallon. The Western India automobile Association, Bombay, have since represented that the increase in the provincial tax on petrol will hamper the development of motor transport which is already heavily taxed.

2. The selling price of petrol in this Province is Rs. 1.1 per gallon from 1.2.47 as shown below:-

| | |
|---|---|
| Company price | Rs. 0-11-0 |
| Central Excise Duty | Rs. 0-12-0 |
| Provincial Tax | Rs. 0- 4-0 |
| | Rs. 1-11-6 |

The Provincial Tax is comparatively light and this Government can illaafford to lose the income from the increased tax considering their financial commitments. As regards the Central Excise Duty this Government observe that the excise duty on petrol was As.0/- per gallon in 1939, that it was increased to As. 15/- during the war, and that it was reduced to As. 12- in March 1946. The rate of 12 annas seems to this Government to be too high under present conditions and they would accordingly request the Government of India to examine the possibility of reducing it further which for exceeds the receipts.

Sd/- M.S. Jagannayaku
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ecretary to Governm
23.2.47.

No.12736-B/48.
Government of India.
Ministry of Finance.

From M.V. Rangachari, Esquire,
Deputy Secretary to the Government of India.

New Delhi, The 28th August, 1948.

To

The Secretary to the Government of Madras,
Revenue Department,
Madras.

Sir,

I am directed to refer to Sri Rao Sahib M.S. Jagannayakulu Nayudu's letter No. 559-K/47-2, dated the 14th March, 1947 regarding reduction in the rate of Central Excise Duty on petrol.

2. The Government of India, have carefully considered the proposal and regret that in their present financial position they are unable to agree to any reduction in the duty. Incidentally, any reduction in the excise by itself will not be of any help as the bulk of the petrol consumed in this country is imported and the setting price of petrol is not determined only by the level of the excise duty.

3. The Government of India also regret that they are unable to agree to the alternative suggestion of the Provincial Government that a share of the excise duty should be handed over to them. Madras, like other Provinces, is getting a share of the duty on petrol through the Road fund and the Central Government, with their own commitments and the large grants they are making to the Provinces for development, are not in a position to divert any of the existing resources to the Provinces.

4. The delay in replying to this letter is regretted.

Yours faithfully,

M.V. Rangachari
Deputy Secretary to the Government of India.

No. 12736-B/48.

Copy, with a copy of the letter replied to, forwarded to the Central Bord of Revenues, with reference to their u.o. No. 29-1-47, dated the .

Finance Department

The letter from the Governmentof India at page 10 C.F. and the note of the ~~India depa~~ Revenue department at the bottom of page 2 re may be perused.

Sd/-x x x x x x
17.9.48.

Revenue Department.

Please see the notes above. The papers may now be recorded.

G.O.Ms.No. 2366-D/ 1-10-1948.

R E C O R D E D.

Sd/- V.K. Rao,
Deputy Secretary to Governmen
23.9.48.

Sd/ B. Gopal Reddi.
Finance Minister.
28.9.48.

Abstract:

Tax - Madras Sales of Motor Spirit Taxation Act, 1939 - Increase in rates of tax- Central Excise Duty- Reduction-Suggestion. Request to Government of India- Papers Recorded.

/True Copy/

Office Assistant,
Madras Record Office.

SP/22.12.